

# PLAN FOR SERVICES

East Valley Water District (District) currently requests the San Bernardino County LAFCO authorize the reorganization to include activation of its wastewater authority for the provision of treatment, reclamation, disposal, and recharge of recycled water. The District also requests the authorization of an exemption under Section 56133(e) for the exchange of wastewater service between the District and the City of San Bernardino Municipal Water Department pursuant to the terms of the Settlement Agreement (Included as Appendix 3) entered into by said parties in November 2017. The proposed reorganization will authorize the activation of the latent wastewater treatment, reclamation, disposal, and recharge authority of the District found in California Water Code Section 31100. Currently the active power of the District applicable to wastewater allows only for collection. The activation of latent powers will allow the District to plan, design, construct, operate, manage, and control wastewater treatment facilities, generating recycled water for beneficial use, including a wastewater treatment plant. An Environmental Impact Report (EIR) has been certified by the District and has withstood all judicial challenges (Included as Appendix 2). The proposed project would provide wastewater treatment service throughout the District's service area.

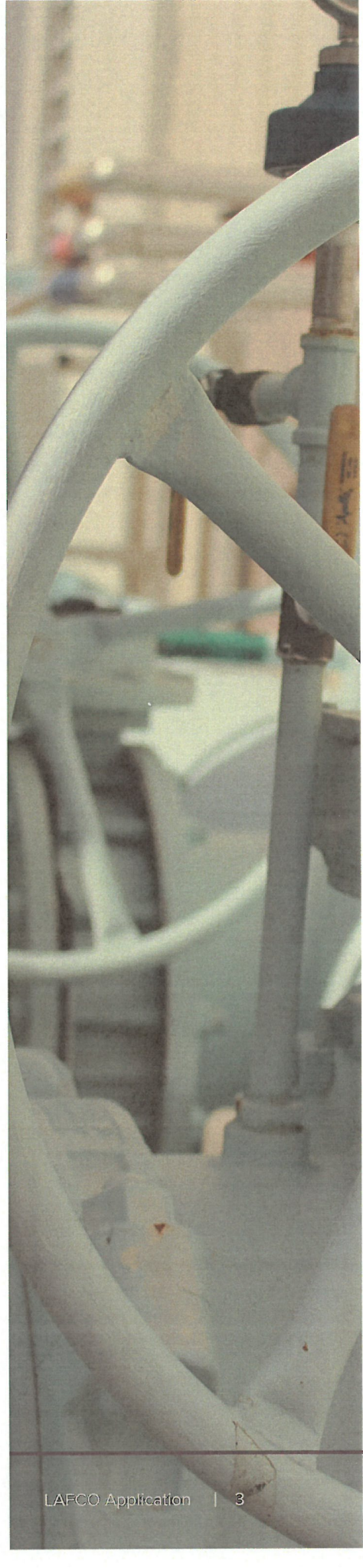
The population growth generated by developments which have been submitted or approved by local land use agencies, including the cities of Highland and San Bernardino, and unincorporated San Bernardino County, consists of over 5,000 additional residential units. This requires major improvements to the existing infrastructure, as identified in East Valley Water District's 2015 Water Master Plan.

In addition, the drought conditions which have become a new normal make it necessary for the District to evaluate options for new sources of water and to ensure the sustainability of existing sources within its water supply mix. Currently, the District obtains 74% of its water supply from groundwater in the Bunker Hill Basin. A 2014 feasibility study by RMC Water and Environment confirmed that recycled water developed through the treatment of wastewater provides the District with an opportunity to recharge the Bunker Hill Basin. These factors require major improvements to the existing infrastructure which were identified in the East Valley Water District Water Master Plan. This document went through a public review process and was accepted unanimously by the District in 2015, and included the consideration of constructing a recycled water facility.

This Plan for Services addresses the sustainable operations for East Valley Water District customers while facilitating rate stabilization for







the City of San Bernardino's water department and its continuing ability to deliver services.

## 1. THE TOTAL ESTIMATED COST TO PROVIDE THE NEW OR DIFFERENT FUNCTION OR CLASS OF SERVICE WITHIN THE DISTRICT'S BOUNDARIES.

### CAPITAL COSTS

The pace of development and water conservation mandates requiring a 20% reduction of water usage by 2020, have made it desirable for the District to build a wastewater treatment plant. This wastewater treatment plant will have an initial capacity of 7.5 Million Gallons a Day (MGD) to accommodate current sewer flows of 6 MGD plus the 20-25% capacity required by the regulators, with future expansion reaching an ultimate capacity of 10 MGD. The capital costs of the 7.5 MGD water reclamation plant complete with a pipeline and pumping station to carry the reclaimed water to a recharge basin, plus necessary environmental mitigation measures, are estimated at \$126 million.

### OPERATIONS AND MAINTENANCE COSTS

The main components of operations and maintenance costs are labor, energy, chemicals, and equipment repair and replacement. Based on an analysis of similar facilities currently using Membrane BioReactor (MBR) technology, the estimated operations and maintenance annual costs to treat 6 MGD flows are \$3.3 million and will increase to \$ 4.7 million when the plant is expanded to its full capacity of 10 MGD.

The anticipated construction and ongoing costs of the wastewater treatment plant are identified in the Financial Plan included as Appendix 4.

## 2. THE ESTIMATED COST OF THE NEW OR DIFFERENT FUNCTION OR SERVICE TO EXISTING CUSTOMERS WITHIN THE DISTRICT'S JURISDICTIONAL BOUNDARIES.

Currently the District charges its customers for collection of wastewater by the District and for wastewater treatment by the San Bernardino Municipal Water Department (Water Department). The wastewater treatment cost of \$21.55 per residential connection is forwarded to the Water Department monthly. As identified in the current service agreement (JPA), District customers east of Boulder Avenue pay an



additional \$2 per month surcharge for collection in the East Trunk Sewer, which is also forwarded to the Water Department with the treatment fees.

The District will be utilizing the recycled water to recharge the groundwater in the Bunker Hill Basin which will offset the cost of purchasing replenishment water from the State Water Project through San Bernardino Valley Municipal Water District (Valley District). The average cost of replenishment water budgeted by the District in recent years was approximately \$750,000 per year.

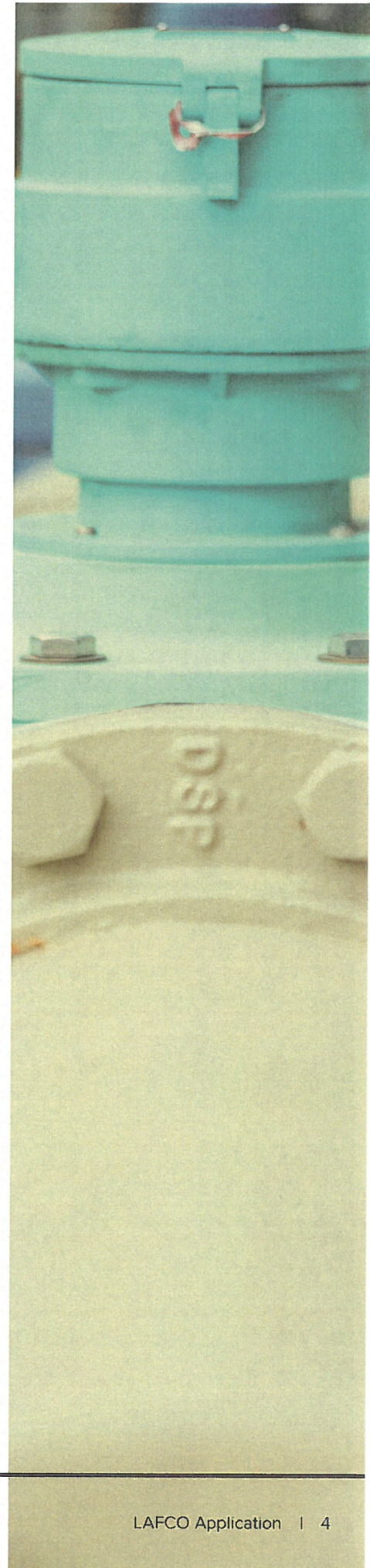
District customers are currently charged sewer treatment fees approved by the City of San Bernardino City Council. It is anticipated that the sewer rates for the collection and treatment of wastewater will not change as a result of the reorganization of wastewater authority. Any future rate adjustments will be consistent with the guidelines set forth in Article XIID of the California Constitution. The District intends to charge a consistent rate within each customer class, and would eliminate the current monthly \$2 surcharge for customers east of Boulder Avenue.

### 3. AN IDENTIFICATION OF EXISTING PROVIDERS, IF ANY, OF THE FUNCTION(S)/SERVICE(S) AND THE POTENTIAL FISCAL IMPACT OF THIS ACTIVATION TO THE CUSTOMERS OF THOSE PROVIDERS.


#### CITY OF SAN BERNARDINO AND SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

The Water Department is currently providing the wastewater treatment function to the District's customers through a JPA between the City of San Bernardino (City) and the District. The JPA identifies that the services provided by the Water Department are based on the rates established on a per connection, or pro rata, basis. It is not anticipated that this project would cause any impact to the customers of the existing provider. As the existing providers, the City and Water Department have analyzed the proposed action and its impacts, and have collaborated to reach a written settlement agreement (Agreement) which resolves all issues. This Agreement has since been unanimously approved by the governing bodies of Valley District, the District, City, and Water Department. Each of these entities have provided letters of support for the proposed reorganization.

Valley District, the District, City, and Water Department have committed to a variety of mitigation measures which will keep the City and Water







Department whole for a substantial time and allow for adjustments to long-term service delivery plans in a financially sustainable manner as identified in the Agreement and which are outlined in this document. Valley District played an important role in forming the Agreement which will benefit the entire region.

All participating agencies support the construction and operation of recycled water facilities that benefit the region by addressing the endangered fish populations in the Santa Ana River that may depend on the discharge of treated wastewater into the Santa Ana River, replenishment of the San Bernardino Basin Area (SBBA), and enhancement of water supply reliability. All recognize that the challenges posed by these overarching issues can only be met through long-term collaborative efforts and a mutual commitment to serving the interests of the community.

In anticipation of the District's wastewater treatment authority, the Agreement outlines specific points to clarify the roles and responsibilities of Valley District, the District, City, and Water Department including:

#### MODIFY EXISTING JPA

The Agreement identifies the need to adopt modifications to the existing JPA following the activation of the District's latent authorities by LAFCO. The revised JPA will ensure continued service to District customers until the District's facilities become operational. This continued partnership allows for the maintenance of the current revenue stream for the City while the District facilities are under construction for approximately 30-36 months.

#### NOTIFICATION PRIOR TO COMMENCEMENT OF DISTRICT WASTEWATER FACILITY OPERATION

Highlighting the importance of ongoing communication and preparation, the District will provide the City with notice at least six (6) months prior to the anticipated commencement of wastewater treatment and disposal services to its customers.

Open communication prior to the commencement of District wastewater facility operation allows for final adjustments and planning by the City to account for decreased treatment demand until future development within their service area returns flows to previous levels.



## TRANSFER OF THE EAST TRUNK SEWER LINE

The Agreement recognizes the transfer of ownership of the East Trunk Sewer line from the City to the District following LAFCO approval. This includes the identification that all costs incurred during this process are the responsibility of the District. Following the successful legal transfer of the asset, the District will be responsible for all operation and maintenance costs associated with that portion of the pipeline.

## CONTRACT BETWEEN DISTRICT AND CITY FOR EXCHANGE OF WASTEWATER SERVICE

The City and the District will establish a contractual agreement allowing for the commingling/exchange of wastewater flows to ensure the efficient operation of the regional wastewater system. Flows of roughly equal quantities of the Water Department customers and District customers would be treated by the other agency. Additionally, it identifies that to the extent that additional physical facilities are needed to accomplish the exchange, the District shall have the sole responsibility for those costs. A map showing the affected parcels is attached (Exhibit B and B-1).

This exchange will be invisible to the customers and will not impact their rates in any way. There would not be any differentiation between customers within the identified exchange area and other customers within each agency's respective service area.


In order to move forward with this agreement, the District is requesting that the San Bernardino LAFCO determine that the service exchange is exempt under Section 56133(e) for the exchange of wastewater service between the District and Water Department.

## SOLIDS HANDLING AGREEMENT

The District and the City will work cooperatively to adopt a contractual agreement to enable the City to continue treating solids originating within the District's service area. The solids handling agreement will be completed following the District's reorganization as identified in the Agreement and prior to commencement of SNRC operations. The agencies will work cooperatively to develop a cost-effective plan for the addition of pipeline or new equipment necessary to allow for this service. All costs associated with this effort will be the responsibility of the District. The initial terms of the solids handling agreement will be ten (10) years, with two optional five (5) year renewal periods to allow for maximum continuity of service.







The Agreement identifies a financial alternative, in the event that the City and the District are unable to agree on the design, or installation of the equipment/facilities.

This agreement will result in a revenue stream to the City for solids handling for ten years. This allows for the transition of revenue and the adjustment of capital improvement schedules to reflect a change in regular flows for the City.

#### DELIVERY OF ADDITIONAL STATE WATER PROJECT WATER

To ease the transition and promote water supply reliability, Valley District shall deliver, at their sole expense, a total of 30,000 acre-feet of State Water Project Water in increments of approximately 3,000 acre-feet per year as directed by the City. The water shall be used for direct diversion and/or groundwater replenishment.

#### ACCOUNTING FOR FUTURE GROWTH

As new growth occurs, each agency will be entitled to retain subsequent flows within their service area. Addressing the ownership of flows resulting from future growth allows the District and the City to increase the quantity of recycled water generated from wastewater flows within their respective service areas, so long as doing so does not diminish the quality of the water discharged into the Santa Ana River.

In support of the City's efforts to develop recycled water, Valley District will use its best efforts to develop a habitat conservation plan for the Upper Santa Ana River, providing for take coverage to allow for the reduction of currently treated wastewater into the Santa Ana River by five (5) million gallons a day. If the final plan does not authorize the City to reduce its flows, Valley District will deliver, at their sole expense, up to 3,000 acre-feet per year of water for direct diversion and/or groundwater replenishment at the City's direction, in addition to the 30,000 acre-feet State Water Project deliveries identified above.

#### EXCHANGE OF REAL PROPERTY FOR THE EAST TRUNK SEWER LINE REPLACEMENT FUND

The Agreement includes the transfer of approximately 22 acres owned by the District to the City. In exchange, the City shall provide the District with the balance of the East Trunk Sewer Line Replacement Fund, which is currently estimated to be approximately \$8 million.

The terms identified in the Agreement are contingent on the District receiving wastewater treatment authority from LAFCO.



## CITY OF REDLANDS

Additionally, the activation of the District's latent powers may result in a contractual agreement with the City of Redlands for the use of their discharge basins. The contract would result in the construction of a pipeline and a discharge structure would be constructed at the Redlands Basins, similar to the existing structure.

## REGIONAL GROUNDWATER SUSTAINABILITY

The activation of the District's latent authorities would support regional groundwater sustainability efforts, including the development of regional recycled water. Approximately 700,000 people served by local water agencies that utilize the SBBA will benefit from the development of recycled water for groundwater replenishment. Projects resulting from this request would be incorporated in the planning efforts currently underway for water agencies within the SBBA.

4. A plan for financing the establishment of the new or different function/service within the district's jurisdictional boundaries. A five-year projection of revenues (at a minimum) with discussion about the sufficiency of revenues to fund anticipated ongoing maintenance and operation of the service is required.
  - a. An indication of whether territory is or will be proposed for inclusion within a proposed improvement zone/ district, assessment district, or community facilities district to fund the service.

This proposal does not anticipate the inclusion within a proposed improvement zone/district, assessment district, or community facilities district to fund the service.

- b. No change in the approved provision of water service is proposed with this action.
  - The capital costs for the wastewater treatment plant would be funded by the 1.7% low cost financing available through State Revolving Fund, administered by the State Water Resources Control Board.
  - Capacity increases will be funded through the Development Impact Fees (DIF) to be paid by the developers and new customers.
  - Operations and Maintenance charges will be a part of the overall rate structure.
  - See attached Financial Plan (appendix 5).



## 5. ALTERNATIVES TO THE ESTABLISHMENT OF THE NEW OR DIFFERENT SERVICE WITHIN THE DISTRICT'S BOUNDARIES/SERVICE AREA.

Alternative 1: Allow for the use of septic tanks. This option is not feasible due to the potential groundwater basin impacts and is not acceptable to the Regional Water Quality Control Board and other permitting and regulatory agencies.

Alternative 2: Allow developers to construct and operate package plants. This is not recommended to maintain accountability and is not acceptable to the Regional Water Quality Control Board and other permitting and regulatory agencies.

Alternative 3: Continue sending flows to San Bernardino Wastewater Reclamation Plant. The existing JPA does not provide recycled water or groundwater recharge. The activation of latent powers and construction of the new facility would result in a more effective sewer treatment, recycled water, and groundwater replenishment program. Given the recent drought emergency, development of sustainable water supplies to protect essential water use is critical for long-term water service reliability.